DOCUMENT RESUME

ED 392 971 CE 071 138

TITLE	Dislocated Workers. Trade Adjustment Assistance Program Flawed. Statement of Linda G. Morra, Director of Education and Employment Issues, Human Resources Division. Testimony before the Subcommittee on Employment, Housing and Aviation, Committee on Government Operations, House of Representatives.
INSTITUTION	General Accounting Office, Washington, D.C. Div. of Human Resources.
REPORT NO	GAO/T-HRD-94-4
PUB DATE	19 Oct 93
NOTE	13p.; For a related report, see CE 071 134.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015 (first copy free; additional copies $2 each; 100 or more: 25% discount).
PUB TYPE	Reports - Evaluative/Feasibility (142) -- Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Compliance (Legal); *Dislocated Workers; *Employment Programs; Federal Legislation; *Federal Programs; Job Training; Postsecondary Education; Program Effectiveness; Program Implementation; Program Improvement; *Retraining
IDENTIFIERS	*Trade Adjustment Assistance Program

ABSTRACT

The Trade Adjustment Assistance (TAA) program is designed to help the more than 1 million workers per year who lose their jobs because of permanent layoffs or plant closures, due in part because of imports. Studies show, however, that the TAA program fails to meet the seven goals of a successful reemployment assistance program: (1) TAA benefits are not equally accessible to all affected workers as a result of the flawed certification process and varied unemployment insurance qualification criteria; (2) the TAA program is often slow in reaching workers as a result of the complex certification process; (3) TAA participants may receive services that are not tailored to their needs because only a limited mix of the program's authorized services are provided; (4) TAA lacks the ongoing counseling and support often cited as necessary to ensure the completion of training; (5) liberal use of the program's waiver provision resulted in as many as half of the TAA recipients not participating in training; (6) TAA rarely works with participants after they complete training to help ensure they find jobs related to their training; and (7) TAA does not have a system in place to monitor performance and evaluate the effectiveness of the program. In light of these problems, Congress may wish to consider a simplified approach that assists workers regardless of the reason for their dislocation. (KC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Employment,
Housing and Aviation
Committee on Government Operations
House of Representatives

For Release on Delivery
Expected at
10:00a.m., EDT
Tuesday,
October 19, 1993

DISLOCATED WORKERS

Trade Adjustment Assistance Program Flawed

Statement of Linda G. Morra
Director of Education
and Employment Issues
Human Resources Division

ED 392 971

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)
☐ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

CE 071 138

BEST COPY AVAILABLE

SUMMARY OF TESTIMONY BY LINDA G. MORRA
DISLOCATED WORKERS
TRADE ADJUSTMENT ASSISTANCE PROGRAM FLAWED

Each year, approximately 1 million experienced workers lose their jobs due to business closures and permanent layoffs. Many of these workers are dislocated because of increased imports and some receive assistance from the TAA program to help them re-enter the workforce.

TAA PROGRAM FALLS SHORT OF KEY GOALS

Our studies, as well as those of the Department of Labor Inspector General and the recent Mathematica study commissioned by Labor conclude that the TAA program falls short in assisting dislocated workers to re-enter the workforce. To be successful, we believe a reemployment assistance program, such as the TAA program, should meet seven goals. However, TAA fails to meet these goals.

- TAA benefits are not equally accessible to all affected workers, as a result of the flawed certification process and varied unemployment insurance qualification criteria.

- The TAA program is often slow in reaching workers as a result of the complex certification process.

- TAA participants may receive services that are not tailored to their needs because, while a range of services are authorized, only a limited mix of services are provided.

- TAA lacks the ongoing counseling and support often cited as necessary to ensure the completion of training.

- Liberal use of the waiver provision resulted in as many as half of the TAA recipients not participating in training.

- TAA rarely works with participants after they complete training to help ensure they find jobs related to their training.

- TAA does not have a system in place to monitor performance and evaluate the effectiveness of the program.

The existence of several other targeted dislocated worker assistance programs in addition to TAA suggests that the nation's overall approach to dislocated worker assistance needs review. The Congress may wish to consider a simplified approach that assists workers regardless of the reason for their dislocation.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the Trade Adjustment Assistance (TAA) Program. Each year, approximately 1 million experienced workers lose their jobs due to business closures and permanent layoffs. Many of these workers are dislocated because of increased imports, and some receive assistance from the TAA program to help them reenter the workforce. With the current debate over the North American Free Trade Agreement (NAFTA) and the possible job dislocations certain industries are likely to experience, particularly among low-skilled workers, it is important to ensure that an effective, adjustment assistance program is in place. In this regard, it is timely to look at how effectively the TAA program assists workers to reenter the workforce.[1] My testimony today will focus on our recent work concerning the TAA program and other efforts to assist dislocated workers.

Our studies,[2] as well as those of the U.S. Department of Labor Inspector General[3] and the recent Mathematica study commissioned by Labor[4] conclude that the TAA program falls short in assisting dislocated workers to reenter the workforce. To be successful, we believe a reemployment assistance program, such as the TAA program, should meet seven goals. The assistance should (1) be equally accessible to all affected workers, (2) be timely, (3) be tailored to the particular needs of individual workers, (4) provide workers with ongoing counseling and support to ensure that they complete training, (5) provide financial assistance to those workers to participating in reemployment assistance activities, (6) link training with job opportunities, and (7) have a system in place to monitor performance and evaluate the effectiveness of the program. However, the TAA program fails to meet these seven goals. The existence of several other targeted dislocated worker programs in addition to the TAA program suggests that the United States' overall approach to dislocated worker assistance needs review.

---

[1]North American Free Trade Agreement: Assessment of Major Issues, (GAO/GGD-93-137, Sept. 9, 1993).

[2]Dislocated Workers: Improvements Needed in Trade Adjustment Assistance Certification Process (GAO/HRD-93-36, Oct. 19, 1992), and Dislocated Workers: Comparison of Programs (GAO/HRD-92-153BR, Sept. 10, 1992).

[3]Department of Labor, Inspector General, Trade Adjustment Assistance Program: Audit of Program Outcomes in Nine States (Sept. 30, 1993).

[4]Mathematica Policy Research, Inc., Evaluation of the Trade Adjustment Assistance Program: Process Report (July 1992), and International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program (Apr. 1993).

BACKGROUND

TAA is an entitlement program created by the Trade Expansion Act of 1962 to aid workers dislocated from firms adversely affected by imported goods. For fiscal year 1993, funding was $211 million--$136 million for income support and $75 million for training. The Department of Labor certifies the eligibility of petitioning groups of workers, who then apply as individuals to their state unemployment insurance (UI) programs for extended unemployment benefits. Cash benefits under TAA equal the weekly benefits of the state UI program but are paid only after regular UI benefits have been exhausted. TAA extends the benefits an additional 52 weeks, if the claimant is still in training. The U.S. Employment Service (ES) administers training under the TAA program through its state and local offices. Training is required unless a waiver is issued.

TAA BENEFITS NOT EQUALLY ACCESSIBLE TO ALL AFFECTED WORKERS

TAA benefits are not equally accessible to all worker affected by international competition. We found four reasons for this situation. First, we found that flaws in Labor's investigations have raised questions about the correctness of decisions to approve or deny certification to workers. We estimate that 63 percent of the petitions filed in 1990 and 1991 had flawed investigations. Flaws were found about equally in certified (60 percent) and denied (65 percent) petitions. Many of these flaws appeared to result because of pressure to complete the complex investigations in 60 days.

Second, Labor generally approves certifications of employees of companies that provide services or component parts if the company also produces the finished product that is impacted by imports; but denies certification to workers who provide services or produce component parts for another company that is trade impacted. For example, workers who produced automobile bumpers were denied certification for TAA assistance because they did not work directly for the company affected by the increased import of cars. We found that about 40 percent of the petitions filed in 1990 and 1991 were for workers who provide services or produce component parts.

Third, some workers are dislocated even when there is no increase in imports. The relocation of production facilities to another country may result in the loss of jobs that produced items for export. However, because the job loss is not tied to imports, the workers are not eligible for TAA assistance.

Fourth, dislocated workers are not eligible for TAA assistance if they are not eligible for UI benefits. In a recent report we noted that the proportion of unemployed workers who receive UI benefits has declined by about one-fifth since the late 1970s.[5] The percentage of unemployed workers collecting UI benefits in 1990 was 36 percent nationwide, but rates varied widely among states--ranging from 20 percent or less in four states (Florida, Oklahoma, South Dakota, and Virginia), to over 55 percent in three states (Alaska, Massachusetts, and Rhode Island). Because each state has its own UI eligibility criteria, a dislocated worker might qualify for benefits in one state, while a worker with a similar work history in a different state might not qualify for UI benefits and thus not have access to TAA assistance, even though workers from the same firm were certified as trade-impacted.

EARLY INTERVENTION

Researchers have found that reaching workers before or at the time of layoff increases the chances of reemployment.[6] When help is available before or at the time of job loss, far more workers seek assistance, and those workers who receive timely assistance appear to find jobs sooner and earn more than they would have without such help. If workers are not reached before layoff, many do not seek assistance until their unemployment benefits are nearly exhausted, thus wasting a substantial amount of time that could have been used to seek a new job or explore the possibility of retraining. However, the TAA program is often slow in reaching workers. Our analysis of TAA assistance in Michigan, New Jersey, and Texas showed that 65 percent of the TAA participants did not receive training in their first 15 weeks of unemployment. Mathematica reported similar findings from its national TAA study.

Delays in the delivery of TAA assistance were generally due to the complex worker certification and notification process. For workers to receive assistance from the TAA program, the Department of Labor must certify that increased imports "contributed importantly" to their dislocations. The investigation involves several steps and can take up to 60 days after workers petition for TAA assistance. The

---

[5]Unemployment Insurance: Program's Ability to Meet Objectives Jeopardized (GAO/HRD-93-107, Sept. 28, 1993).

[6]See Plant Closings: Limited Advance Notice and Assistance Provided Dislocated Workers (GAO/HRD-87-105, July 17, 1987); U.S. Congress, Office of Technology Assessment, Plant Closings: Advance Notice and Rapid Response Special Report, OTA-ITE-321 (Sept. 1986); and National Academy of Science, National Academy of Engineering, Institute of Medicine, Technology and Employment: Innovation and Growth in the U.S. Economy (1987).

first step is to determine whether a company's sales or production has decreased and whether significant numbers of the company's workers have lost their jobs. The next step is to analyze trade statistics to determine whether imports of like or competitive products have increased. Third, Labor must determine whether those imports contributed to the company's decline in sales or production. Once certified, the Department of Labor notifies the state, who in turn notifies the workers in writing of their eligibility for assistance, which can take another 60 days. Thus, workers may have to wait 4 months before they know whether they are eligible to receive TAA assistance. Workers must then individually apply for assistance with the local ES office.

ASSISTANCE TAILORED TO WORKER NEEDS

Research has also shown that the reemployment potential of dislocated workers is enhanced when programs offer a range of assistance options and independent assessments of workers are performed to determine their individual skills and interests. An assistance strategy could then be developed that is tailored to the individual worker's strengths and interests, taking into account job opportunities in the local labor market.[7] However, TAA participants may receive services that are not tailored to their needs because, while a range of services is authorized, the TAA program actually provides a limited mix of services. For example, we found that TAA offers participants classroom training in a variety of occupations, but it does not offer the option of on-the-job training. TAA participants not suited to the classroom have no other option available through the TAA program. The Mathematica study concluded that for some TAA participants training may not be the most appropriate adjustment approach. It indicated that job search assistance was all some participants needed.

In addition, many TAA participants never receive an assessment or counseling on training options or job opportunities in their community. Some states in the Mathematica survey reported that a lack of administrative funds constrains testing or assessing participants. The Department of Labor Inspector General reported that it was difficult to assess the quality of services because participant files lacked documentation of activities such as counseling, assessment and testing, or development of individual training plans.

---

[7]Dislocated Workers: Labor-Management Committees Enhance Reemployment Assistance (GAO/HRD-90-3, Nov. 21, 1989).

ONGOING COUNSELING AND SUPPORT

Experts agree that dislocated workers often need ongoing monitoring, encouragement and various forms of emotional support to help them cope with financial as well as personal problems that may hamper their ability to adjust and reenter the workforce.[8] A 1981 handbook for community involvement in helping dislocated workers describes the emotional turmoil felt by those who lose their jobs, including depression and a questioning of their skills and competencies. Studies have found that providing assistance to reduce anxiety and help dislocated workers cope with their problems is an essential component of successful dislocated worker projects. Also, maintaining contact with participants after they enter training to provide encouragement and additional assistance that would enable participants to complete training is often cited as a common characteristic of successful programs. While the TAA program recognizes the need for financial assistance and provides participants with income support, there is little evidence that it provides ongoing contact with participants after they enter training. Our analysis of the TAA programs in Michigan, New Jersey, and Texas found little evidence of any follow-up with the participants to determine whether they completed training.

INCOME BENEFITS TIED TO REEMPLOYMENT ASSISTANCE

To ensure that workers get the assistance needed to help them adjust to a changing economy, the 1988 amendments to the Trade Act linked income support under the TAA program to participation in training, unless it is determined that training is not feasible or appropriate. In such cases, TAA participants can receive a waiver and still receive cash benefits without participating in training. However, the liberal use of the waiver provision resulted in many TAA recipients not participating in training.

In three local areas included in our analysis, 39 percent of the workers receiving cash benefits did not enter training. The Department of Labor Inspector General found in their nine-state survey that almost half the workers enrolled in the TAA program did not participate in training. The Inspector General found one state that granted waivers so frequently that the requirement that cash benefits be linked to participation in training was considered meaningless. The Mathematica national survey found that 53 percent of TAA participants were not enrolled in training.

---

[8] Dislocated Workers: Exemplary Local Projects Under the Job Training Partnership Act (GAO/HRD-87-70BR, Apr. 8, 1987); U.S. Office of Technology Assessment, Technology and Structural Unemployment: Reemploying Displaced Adults OTA-ITE-250, (Feb. 1986); Gary Hansen and Marion Bentley, Problems and Solutions in a Plant Shutdown: A Handbook for Community Involvement Utah State University (Nov. 1981).

The Mathematica study suggests that an alternative approach to the use of waivers for those not in training is to include participation in a job-search activity as meeting the intent of the 1988 amendments to link income support to reemployment assistance activities. Their study notes that training may not be needed for all participants. We agree with Mathematica that the most appropriate activity for some TAA participants may not be training. However, we believe that linking income support to adjustment activities is essential if the assistance is to be effective in helping workers return to the workforce.

TRAINING LINKED WITH JOB OPPORTUNITIES

For training to be effective in assisting dislocated workers, the training must be linked to real job opportunities. For dislocated workers in some rural communities, creating job opportunities that are related to the training provided is the real challenge in assisting dislocated workers. However, the TAA program rarely works with participants after they complete training to help ensure that they find job opportunities related to their training.

The Department of Labor Inspector General reported that most of the states in their survey did not maintain contact with participants after the participant completed training unless the participant returned to the Employment Service for additional help. Mathematica also reported that contact with participants after training to assist in identifying job opportunities was "uncommon."

The TAA program also offers participants relocation assistance, but few workers use this benefit. Mathematica reported that in the 1980s only 3 percent of the TAA participants received relocation benefits. While some states had more workers claiming relocation benefits, the higher level of activity in these states appears more related to the participants' assessment of the local economy and their willingness to relocate than any special effort by ES staff to encourage relocation.

NO SYSTEM TO TRACK PERFORMANCE OR EVALUATE EFFECTIVENESS

The TAA program lacks the basic tracking system needed to ensure that assistance is provided effectively and efficiently. The TAA program has no established performance goals, thus there is little impetus for states to track participant progress or program performance. Even when states collect information on their own, they do not collect the same types of information or their definitions are not consistent. Without basic information on who the program served, the services they received, and how they fared after completing training both in the short and long term, no determination can be made about how the program is performing or what can be done to improve performance. The Department of Labor Inspector General and

Mathematica also found that data on the TAA program were either not collected or were inaccurate and inconsistent. Mathematica concluded in its study that: "Greater emphasis by ES staff on post-training follow-up might improve the effectiveness of the TAA program."

The Mathematica study did attempt to assess the effectiveness of TAA and compare the outcomes of participants with similar dislocated workers who did not receive assistance. They concluded that while changes to the program in the 1980s resulted in a greater targeting of the program on workers permanently dislocated from their jobs, and increased the enrollment of participants in training, it did not necessarily have a significant impact on the employment and earnings of trade-impacted workers in comparison with similar dislocated workers. They noted no substantial positive effects either on employment or earnings within three years after their first UI claim. We were not surprised by the results of the Mathematica study, given TAA's failure to meet the seven goals we believe are essential for a successful dislocated worker assistance program.

- - - - -

A final point I would like to make is that the TAA program is not the only federally funded program designed to assist dislocated workers. A total of nine programs or funding sources with $855 million in funding for fiscal year 1993[9] assist various groups of dislocated workers. For example, while TAA focuses on trade-impacted workers, two programs target workers adversely affected by military base closings, and another program is aimed at workers dislocated as a result of provisions of the Clean Air Act. The Economic Dislocation and Worker Adjustment Assistance (EDWAA) program is the single largest program (fiscal year 1993 funding of $597 million) providing assistance to dislocated workers and is open to all dislocated workers, regardless of the reason for their dislocation.

The separate funding streams that provide assistance to specific groups of dislocated workers likely resulted from the concern that EDWAA reaches less than 10 percent of eligible workers. Thus, to help ensure that workers adversely affected by special circumstances, such as the Clean Air Act, had access to reemployment assistance, additional funds were made available. However, with the establishment of separate funding sources comes additional administrative requirements such as (1)

---

[9]These programs or funding streams are: (1) Job Training Partnership Act (JTPA) Title III-basic grants, (2) JTPA Title III-Governor's Discretionary grants, (3) JTPA Title III-Secretary's Discretionary grants, (4) JTPA Defense Conversion Adjustment Program, (5) JTPA Clean Air Employment Transition Assistance, (6) JTPA Defense Diversification, (7) Trade Adjustment Assistance, (8) Demonstration Centers for Retraining Dislocated Workers, and (9) Transition Assistance Program.

determining the eligibility of dislocated workers for assistance under each program, (2) tracking the use of each set of funds to ensure that only those eligible for assistance under each program actually receive the services, and (3) developing plans or grant proposals to apply for the additional funds under the various dislocated worker categories. These requirements have the potential to add significant costs to the administration of assistance for dislocated workers.

As Congress debates NAFTA and considers how best to assist those workers who will be affected as well as other dislocated workers, it may wish to consider a simplified approach that assists workers regardless of the reason for their dislocation. Such an approach could reduce the administrative burden at the federal and local levels, provide comprehensive services to all dislocated workers and foster quicker adjustment of workers to changing labor markets. However, it could have significant cost implications depending on the extent to which income support is made available to participants.

Mr. Chairman, this concludes my testimony. I will be happy to answer any questions that you or members of the Subcommittee might have.

(205259)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066.

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use $300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100